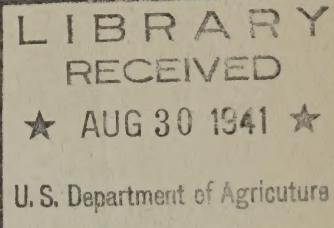


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UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL ADJUSTMENT ADMINISTRATION
Washington, D. C.

Reserve



COMMITTEE REPORTS
NATIONAL AAA CONFERENCE
June 10, 11, 12, and 13, 1941

(The recommendations herein are quoted as submitted by the various committees and approved by the National AAA Conference. Insofar as possible, these recommendations adopted by the Conference will be included as provisions of the 1942 program, with only such modifications as may be necessary after taking into consideration the applicable legislation and over-all administrative policy.)

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COMMITTEE NO. 1

DEFENSE PROGRAM AND THE AAA

In the interest of the national welfare, we pledge ourselves to marshalling the agricultural resources of this country so as to best meet the needs of defense. In fulfilling this pledge, it is essential to avoid throwing agriculture any further out of balance than is required by the necessity to meet successfully the challenge to our democratic way of life. The defense effort must succeed. The interests of any economic group must be subservient to it. Our national point of view must be animated and inspired by a willingness to give rather than a desire to take. As representing the farmers of the Nation in respect to the program of the Agricultural Adjustment Administration, we assure the people and the Government of the United States of our full compliance with this policy:

We recommend:

1. That all farm people be brought to a realization that sacrifices are going to be necessary to insure the security of our democratic existence.

2. That farm families be earnestly advised to contribute unselfishly and patriotically to the common welfare. The farmer who goes into debt for purposes of unwarranted, speculative expansion in this struggle for the Nation's very existence will not only hold back the Nation's defense effort, but will increase the burden of post-war adjustment.

The strength of the Nation lies in the strength of the individual families that comprise it. The security of the individual family depends upon the security of the Nation. During the period of defense preparedness and increased industrial activity and higher prices, farm families should, as far as possible, reduce debts to a minimum and accumulate reserves of cash and commodities. They should endeavor to grow as much as possible of what they consume.

3. That agriculture make its contribution to the common cause and share in the results on the same basis as other economic groups. Production of abundant food and fiber for our own Nation and for other democracies resisting aggression is a duty that farmers accept willingly and with patriotism. To keep our agriculture in a healthy condition, it is necessary for prices of farm products and industrial prices to be kept in balance.

Adequate production by farmers should not be at unnecessary expense of conservation of land and other resources. To insure this production for present and future needs, the soil-building and conserving features of the current AAA program should be maintained, strengthened, and improved.

4. That, in recognition of the dangers of inflation with its disastrous effects on farmers and the general public, aggressive steps be taken to control prices. Specifically, we endorse the efforts of the Office of Price Administration. We further urge:

- a. That the Congress of the United States levy higher taxes, particularly upon excess profits, incomes, and luxury items, in order that the defense effort may be carried through on a "pay as you go" basis insofar as possible.
- b. That aggressive steps be taken to promote the sale of Government defense bonds and defense stamps to all the people. The adoption of such a program will do much to prevent inflation and to leave the Government in a better position to use its credit and powers in helping with the inevitable adjustments which must follow this effort.

5. That, in this period of unusual demand for labor and consequent shortage of farm help with the resultant need for more farm machinery, the country's interest should be safeguarded in setting up priorities, by proper consideration being given to farm machinery. Also prices of farm machinery and replacement parts should be closely watched and held in line with farm prices. In view of transportation problems which face the country, the manufacture of trucks should be considered an essential industry and should not be restricted.

6. That, at the present time, efficiency in our defense effort is impaired by unnecessary restrictions by Federal and State authorities on truck and rail transportation and by trade barriers of individual States. We urge that these authorities be approached and an effort be made to reduce this impairment to a minimum.

7. That greater emphasis be given to proper nutrition. Official records reveal that about one-third of our people are below the safety line in health, due largely to inadequate and improper diet. This appalling deficiency must be corrected. This should be done by utilizing existing supplies and encouraging increased production and use of protective foods of which there is a deficiency. Also we favor and will support a policy of storing adequate reserves of those foods to meet eventual domestic and world needs.

8. That since nitrogen is an essential element in explosives and other defense products, as well as a plant food, an enlarged effort should be made to encourage farmers through the AAA program to produce their own nitrogen by planting legumes. This is part of sound farming, and it is now a way to avoid a possible nitrate shortage for defense needs.

9. In this period of uncertainty, it is recognized that food and fiber needs of our country and others we are seeking to aid cannot always be exactly gauged, and that at times we may be asked upon short notice to provide additional food or fiber. To avoid confusion, full information on trends should be speedily furnished State and county committeemen.

10. The people of this country have the right to expect that its government should provide measures which will prevent low prices, unemployment, overproduction, and other difficulties, which would otherwise face us at the end of the defense period. We believe that a democratically-controlled Agricultural Adjustment Administration and related agencies which are operating at present are well suited to lead in directing a rational and balanced agriculture that will require a minimum amount of readjustment following this period of defense preparation.

11. The confidence of Congress, the country, and the farmers has been secured by the sound, consistent policy of the AAA, based principally on soil conservation and crop adjustment. Any tendency to interpret the AAA in such manner as to change this policy can only be justified under the heading of a defense measure and limited strictly to the duration of the national emergency.

/s/ J. RALPH GRAHAM, Chairman.

COMMITTEE NO. 2

SOIL-BUILDING PRACTICES

In its deliberations, the Soil-Building Practices Committee considered recommendations from all county and State committees in various regions, the United States Forest Service, the Soil Conservation Service, the Bureau of Agricultural Economics, and other sources.

Following the decision of the Conference to abolish total soil-depleting allotments, the Soil-Building Practices Committee made an effort to formulate new practices to the end that the basic aims of the Agricultural Adjustment Administration may be strengthened and its service to farmers extended.

The following changes and additions are recommended to the National AAA Conference by the Soil-Building Practices Committee. Underlined portions indicate changes.

Section 2 (a): National Goal. The national goal is the conservation of farm land, the restoration, insofar as is practicable, of a permanent vegetative cover on land not needed for or not suited to the continued production of cultivated crops, the carrying-out of soil-building practices that will conserve and improve soil fertility and prevent wind and water erosion, and the encouragement of economic use of land.

Section 2 (b): County Goals. County goals may be established for particular soil-building practices which are most needed in the county in order to conserve and improve soil fertility and to prevent wind and water erosion and to encourage economic use of land. The county committee, with the approval of the State committee, may designate those practices which will be approved for payment in the county in order that the soil-building allowance will be used most effectively to bring about added conservation and to secure the carrying out of soil-building practices most needed on farms in the county.

Section 2 (d) (iv): 40 cents per acre of fenced noncrop open pasture land in excess of one-half of the number of acres of cropland in the farm, which is capable of maintaining during the normal pasture season at least one animal unit for each 5 acres of such pasture land, in the Northeast Region: Provided, That, upon recommendation of the State committee and approval by the Agricultural Adjustment Administration, this item may be reduced for all farms in any area and that part of the reduction which it is estimated by the Agricultural Adjustment Administration would have been earned had this item not been reduced may be allotted by the county committee to farmers who wish to carry out pasture improvement or erosion control practices or plant forest trees in addition to the allowance otherwise available under this section.

Practice (1): Application of the following materials to, or in connection with the full seeding of, perennial or biennial legumes, perennial grasses, winter legumes, lespedeza, crotalaria, annual ryegrass, Natal grass, permanent pasture, green manure crops in orchards, gardens for home use, and, in New England or any other area in the Northeast Region in which the percentage of cropland used for the production of soil-depleting crops is small and such area is approved by the Agricultural Adjustment Administration, with manure in stables

or on dropping boards for use other than on commercial vegetables, potatoes, tobacco, corn for grain, and wheat for grain. If these materials are applied to any eligible crop seeded or grown in connection with a soil-depleting crop, payment shall be made for only such proportionate part of the material applied as is specified by the Agricultural Adjustment Administration.

- (i) 48 pounds of available P₂O₅ -- \$1.50
- (ii) 1 bag of not less than 100 pounds of triple superphosphate furnished by the Agricultural Adjustment Administration -- \$1.50
- (iii) 500 pounds of basic slag or rock or colloidal phosphate -- \$1.50
- (iv) 100 pounds of 50 percent muriate of potash or the equivalent -- \$1.50

(The committee recommended that the AAA set up a schedule of payment rates which will reflect the price of these materials to the farmer.)

Practice (3): Application of air-dry straw or equivalent mulching material (excluding barnyard and stable manure) in orchards, on commercial vegetable land, or strawberries.

In areas where straw normally costs

- (i) Not more than \$2.50 per ton -- \$0.75 per ton
- (ii) More than \$2.50 but not more than \$5.00 per ton -- \$1.50 per ton
- (iii) More than \$5.00 per ton -- \$3.00 per ton

Practice (4): Application of ground limestone (or its equivalent) in any area designated by the Agricultural Adjustment Administration as an area in which the average cost of bulk ground limestone delivered to the farm is

Payment per ton

<u>Not more than \$1.25 per ton</u>	<u>\$1.00</u>
<u>More than \$1.25 but not more than \$2.00 per ton....</u>	<u>1.50</u>
More than \$2.00 but not more than \$2.75 per ton....	2.00
More than \$2.75 but not more than \$3.25 per ton....	2.50
More than \$3.25 but not more than \$3.75 per ton....	3.00
More than \$3.75 but not more than \$4.25 per ton....	3.50
More than \$4.25 but not more than \$4.75 per ton....	4.00
More than \$4.75 but not more than \$5.25 per ton....	4.50
More than \$5.25 but not more than \$5.75 per ton....	5.00
More than \$5.75 but not more than \$6.25 per ton....	5.50
Over \$6.25 per ton....	6.00

Practice (12): (Deferred grazing) Recommended for deletion.

Practice (13): Amend by changing the wording for the purposes of clarification:

(13) With prior approval of the county committee, development of springs or seeps by excavation at the source and making a supply of water available for livestock: Provided (1) that the source is protected from trampling and at least 20 cubic feet of available water storage is provided, and (2) that the total cost is not less than \$20. The minimum payment for a single development shall be \$20, and the maximum payment shall be \$100. (This practice is applicable only in the arid or semiarid areas.) 30 cents per cubic foot of soil or gravel and 50 cents per cubic foot of rock formation excavated; or 25 cents per cubic foot of available water storage installed, whichever is larger.

Practice (16): Amended to read as follows:

(16) Control, in accordance with approved specifications, of destructive or competitive nonpalatable plants designated by the Agricultural Adjustment Administration on open noncrop pasture,

- (i) Light infestation -- \$0.50 per acre
- (ii) Medium infestation -- \$1.00 per acre
- (iii) Heavy infestation -- \$2.00 per acre

The above rates are the maximum allowable and upon recommendation of the regional director the rates for designated plants shall be reduced according to the comparative cost of control. If the county committee determines that the control of destructive plants under this practice will reduce the vegetative cover to such an extent as to cause increased soil erosion, artificial reseeding shall also be required.

Practice (21): Restriction to Northeast Region removed.

(21) Construction of diversion ditches.

-- \$1.50 per 100 linear feet.

Practice (22): Construction of standard terrace for which proper outlets are provided. -- \$1.00 per 100 feet.

Practice (23): Amended to read as follows:

(23) Construction of metal concrete, rubble masonry or treated lumber, check dams or drops, and measuring weirs for control of erosion, leaching, and seepage of farm land.

Concrete or rubble masonry	--	\$7.50 per cu. yd.
Commercially treated lumber	--	\$6.00 per 100 board feet
Home treated lumber	--	\$3.00 per 100 board feet
<u>Metal</u>		
.75 second feet discharge at free flow depth	-	\$16.00 ea.
1.56 "	"	"
2.35 "	"	"

Practice (23) (Continued)

Metal (Continued)

4.00	second	feet	discharge	at	free	flow	depth	-	\$36.00	ea.
12.74	"	"	"	"	"	"	"	-	\$91.00	ea.

Practice (29): (Protecting restoration land) Recommended for deletion.

Practice (37): Listing at right angles to prevailing winds after September 15 and not later than December 31 on unprotected cropland in arid or semiarid areas (except when carried out on protected summer fallow or as a part of the seeding operation). - - 15 cents per acre.

Practice (41): (Improving stand of forest trees) Recommended rate increase from \$3 to \$4 per acre.

Practice (47): Upon prior approval of the county committee, planting fruit and nut trees, and strawberries, on the contour where because of slope it is necessary to prevent erosion. - - \$1.50 per acre.

Practice (48): In counties designated by the State committee and approved by the regional director, and with the prior approval of the county committee, the removal of diseased or uneconomic fruit and nut trees the major portion of whose fruit is of inferior quality. Payment will be made only for the removal of live permanent trees and not for the removal of filler or semipermanent trees. No payment shall be made for trees less than 5 inches in diameter. Not more than \$15.00 per acre may be earned under this practice.

For trees 5 to 12 inches in diameter--30 cents per tree.

For trees over 12 inches but not over 20 inches

in diameter--50 cents per tree.

For trees over 20 inches in diameter--75 cents per tree.

Practice (50): Eradication or control, in accordance with approved methods, of seriously infested plots of perennial noxious weeds designated by the Agricultural Adjustment Administration. Payment for this practice may be approved outside of organized weed control districts only on farms where the infestation is limited to a single farm, approved weed control measures are being carried out on all adjacent infested farms and contiguous land, or the county committee determines that there is no likelihood of reinfestation from adjacent farms or contiguous land.

(i) 3 cents per pound of approved chemical used.

(ii) \$7.50 per acre of perennial weeds where chemicals are not used.

Practice (54): It is recommended that Practice 54 be amended to allow for a spacing of 40 inches or less between subsoil rows with a payment of 75 cents per acre, and that the payment for wider spacing be decreased proportionately. (Western Division to prepare payment specifications.)

Practice (55): (Supplemental practices) Recommended that these practices be continued and that each State using this practice render a complete report to be available prior to the 1942 conference. This report should show the extent and kind of supplemental practice used.

Practice (57): Amended to remove the restriction to specified areas in Virginia:

(57) With prior approval of the county committee, constructing or reconstructing farm ditches (including lateral and lead ditches) for which proper outlets are provided. Payment will not be made with respect to any ditch unless the amount of dirt removed therefrom represents an amount at least equivalent to an average depth of one foot and unless adequate provision is made for the entrance of water into and out of the ditch. No credit will be allowed for the amount of dirt removed from that portion of any ditch which is bordered on both sides by waste or noncrop land, or from any ditch which is wholly or partially maintained by any Federal, State, or county appropriation.

— 5 cents per cubic yard
of dirt removed.

Practice (58): Supplemental Food and Feed Practice. If funds are available from the same source as in 1941, the practice should be continued.

The following new practices are recommended for 1942:

1. With prior approval of the county committee, the complete removal of diseased or uneconomic grapevines, including the wires and posts.
— \$10 per acre.

2. The drainage of land already classified as cropland, orchard, or noncrop open pasture by the installation of an adequate tile drainage system for which proper outlets have been provided. This practice is to be carried out according to plans approved in advance by the county committee.

— 3-inch tile — $4\frac{1}{2}$ cents per tile foot
4-inch tile — $5\frac{1}{2}$ cents per tile foot
6-inch tile — 9 cents per tile foot

3. Contour cultivation with a shovel type implement following a small grain crop harvested in 1942, furrows being not more than 20 inches apart.

— 15 cents per acre.

4. Establishment of seed patches in deficit areas for the production of legume seed for which ample supplies are not now available, the larger of 2 percent of the cropland or 1 acre per family on the farm at a maximum rate of \$3.50 per acre.

5. Turning under a green manure crop or leaving on the land a good stand and good growth of soybeans or cowpeas broadcast in inter-tilled row crops.
— 75 cents per acre.

6. Prevention of soil erosion and leaching of plant food from irrigated land by control of the application of irrigation water. -- \$1.50 per acre.
7. "Flood fallowing," or maintaining the cultivated lands in a saturated condition for a definite length of time, and at a specified season of the year, will be recognized as a soil-conservation practice. Prior to flood fallowing, however, the cultivated land, or that portion of the cultivated land on which flood fallowing will be practiced, must be thoroughly disked and all weeds destroyed.

Flooding must continue for either one period of 60 days or two periods of 30 days each between the dates of May 1 and August 15. If two 30-day flood periods are selected, a 10-day draw-down of the water level should be allowed between the flood periods.

-- \$1.50 per acre.

8. On any farm where the county committee determines that the ACP payments of any family or families on such farm is less than \$40, and that the standard of living of the family or families making their living on that farm may be improved by increasing the production of food for family living to a greater extent than by carrying out other practices, seeds, plants, fertilizer and other materials or services may be furnished as conservation materials and services to the extent approved by the county committee. These families may earn payments up to \$25 in addition to those available under the present program, for subsistence practices as laid down by the State and regional AAA offices. The landlord is to draw none of the subsistence payments performed by such farm families. In no case shall the total payment to the individual family be over \$40.

The committee realizes that the figures used in this recommendation may or may not fit the budget which may be available for this purpose. We suggest that the matter be given further study so that it will meet with budgetary limitations and further that the amount of money to be applied to this practice be based on possible Congressional action on the increase in small-payments section.

The subcommittee on a practice to use in connection with the removal of total soil-depleting allotments reported the following practice for use in 1942, which was adopted by the Committee:

9. Performance of such practices as will assure continued utilization of cropland for conservation purposes in lieu of the total soil-depleting allotment provisions. The practices, their rates of payment, and the areas in which they are applicable shall be recommended by the State committee and approved by the Agricultural Adjustment Administration. The total payment which may be made on any farm under these practices shall not exceed 50 percent of the cropland item of the soil-building allowance.

10. The construction of concrete and wooden liquid manure tanks. (The specifications and rates of payment are to be recommended by the Western Division.)
11. The application of borax or its equivalent in boron to or in connection with the seeding of perennial legumes, or cover crops in orchards or vineyards.

In areas where borax costs:

- i. Not more than \$2.00 per hundred pounds--\$1.00 per hundred pounds
- ii. More than \$2.00 per hundred pounds--\$2.00 per hundred pounds

Pooling of individual farm allowances

The Soil-Building Practices Committee recommends the following provision which is to be restricted to erosion control, perennial weed control, forest tree planting, and forest tree management in 1942:

With prior approval of the State committee, farmers in any area may combine all or any portion of the soil-building allowance for the performance of erosion control, forest tree planting and management, and perennial weed control practices on any farm or group of farms as one unanimously approved by the cooperating farmers.

The Soil-Building Practices Committee recommends the continuance in 1942 of the subcommittee on soil-building practices which met prior to the National Conference to sift and coordinate AAA and other recommendations.

/s/ A. W. JONES, Chairman.

CONSERVATION MATERIALS

The Conservation Materials Committee of the National AAA Conference respectfully submits for consideration by the Conference the following recommendations with respect to the matters given it for consideration:

1. That materials and services of the type which have been furnished during the past year be continued for 1942 where such materials and services are used in connection with the carrying out of practices for which payment is made.
2. That the furnishing of mixtures of phosphate and potash be permitted in any region subject to the approval of the regional director.
3. That in order to meet the increased demand for conservation materials and to avoid any seasonal rush, it is recommended that farmers be encouraged to request such materials over a longer period, and, where proper storage facilities are available, that they be encouraged to request earlier delivery of phosphate.

That a recommendation be made to the Allotments, Allowances, Yields, and Crop Classification Committee as follows (to be considered as a sub-recommendation, not as a part of this report):

One of the problems encountered in distributing conservation materials is that of spreading delivery over a longer period of months rather than concentrating it in the fall and spring rush periods. Since the formula determining the distribution of conservation materials is dependent upon the soil-building allowance, it would be of considerable assistance in fore-stalling the rush periods to have soil-building allowance rates established in the immediate future.

The Conservation Materials Committee therefore recommends to the Allotments, Allowances, Yields, and Crop Classification Committee that it get soil-building allowance rates established before the close of this Conference.

4. That, regarding reimbursement for association expense, the choice of making cash collections or supplying less material be left up to the regions to be handled as they see fit.

5. A general discussion of the question of the double deduction provisions for misuse of material disclosed uniformity among the divisions with respect to the assessment of such deductions. Further, cases of wilful nonuse of materials are in every instance considered misuse. The only variance in practice which was brought out was with respect to the method of handling nonuse cases where the nonuse was brought about by circumstances beyond the control of the farmer. There appeared to be no evidence of difference in the end attained, however; viz, the single deduction is applied in the applicable year or the year following

and no double deduction is made. The committee, consequently, is satisfied that no recommendation is necessary on this point.

6. That the proportion of the total payment that can be taken in conservation materials be the same as in 1941 except as follows: On allotment farms with allotment payments of \$25 or less the total farm payment may be taken in conservation materials in any region or portion of a region at the discretion of the regional director.

The Committee does not consider it desirable to extend the portion of this recommendation dealing with allotment farms with allotment payments of \$25 or less to areas where farm applications are used, except with respect to farms on which only one person shares in the payment.

That a recommendation be made to the Soil-Building Practices Committee as follows (to be considered as a sub-recommendation, not as a part of this report):

There are many areas in the country where it is as essential to use phosphate and potash in establishing soil-conserving crops as it is to use lime. While lime is generally obtainable locally at comparatively low costs, phosphate and potash must in many cases be transported long distances. As a consequence, it appears reasonable to give farmers the benefit of soil-building payment rates adjusted to reflect the delivered cost of phosphate and potash, at least to the extent that payment is so adjusted for liming materials.

The Conservation Materials Committee therefore recommends to the Soil-Building Practices Committee that the practice payment per unit of phosphate and potash be set on a schedule relating payment to the cost at delivery point similar to that set for limestone in the 1941 National Bulletin and based on the same relation between cost and payment reflected therein.

7. That, as an administrative policy after November 1, 1941, unit cost of P_2O_5 to farmers and agronomic conditions be taken into consideration in the allocation of phosphate materials without reference to local preference.

8. That, in view of the probable enactment of legislation authorizing the purchase of materials and services through means other than competitive bidding, materials and services be so purchased wherever divisional and State administrative authorities deem such action to be advisable.

9. That the Cotton Mattress and Comforter Programs be continued another year.

* * *

10. In addition to the above recommendations pertaining to matters on the agenda for this committee, the following recommendation is also made:

That the proviso clause of Section 9 of the 1941 National Bulletin be changed for 1942 to read as follows:

"That, in any region wherein the regional director requests and the Administrator approves, deductions for any deficit will be made insofar as possible from payments computed for other persons on the farm with respect to which such materials or services were furnished."

/s/ JOHN H. EAST, Chairman.

COMMITTEE NO. 4

ALLOTMENTS, ALLOWANCES, YIELDS, AND CROP CLASSIFICATION

In discussing the 1942 farm program, Committee No. 4 placed national defense first in its consideration of the questions and issues requiring action. With the rapid changes taking place in world affairs, it is evident that future programs must be sufficiently flexible to keep pace with changing conditions. Furthermore, the universal consensus of opinion that agricultural commodities should be placed on a parity basis with all other commodities emphasizes the need of placing more weight on the conservation of our soil resources to enable agriculture to meet any emergency that may confront it in the future. The Committee also wishes to stress the fact that as the program becomes more flexible there develops a comparable necessity for regional unity and cooperation to insure the achievement of the desired results

In view of the principles and policies before outlined, the Committee submits for the consideration of this conference the following recommendations:

1. That general and total soil-depleting allotments and payments for such allotments be abolished.
2. That the rate of not less than 90 cents per acre be established as the soil-building rate for 1942 on all cropland in excess of the acreage allotted to special crops.
3. That a practice be established to permit payment for the continued utilization of cropland and orchards for conservation purposes, but that such practice shall be recommended by the State committee and approved by the regional director, and in any case the amount so earned shall not exceed 50 percent of the total soil-building allowance computed at the 90-cent rate.
4. That there be added to section 1 (k) a provision requiring plans optional by and applicable to areas which will be administratively practicable and that will include suitable deductions for failure to carry out soil-building practices or conservation measures to meet a minimum standard established for the area.
5. That potato allotments be continued in 1942.
6. That commercial vegetable allotments be discontinued. That all funds which would otherwise be allocated to commercial vegetables be used as a part of the soil-building allowance. That, in determining the vegetable allowance, all processing crops and all vegetables formerly under allotment programs, with the exception of corn and peas for canning or freezing, be included in the acreage used to compute the allowance. That, on recommendation of the State committee and approval of the regional director, special provision be made to develop a program for vegetables to meet special area needs.

7. That the soil-building rate for orchards be increased to \$2.50 per acre.
8. That the \$15 forestry allowance be retained.
9. That the \$20 minimum payment provision be retained.
10. That the 80-percent rule be left optional.
11. That the tolerance provision be left optional with the regions; that the use and amount of tolerance applying to areas and crops be left optional with the regional director; that all or any part of any acreage of a commodity classified strictly on a planted acreage basis which is totally destroyed by flood, insects, or other cause beyond control of the operator and which is later replaced by other acreage planted to the same commodity on the farm may be considered as not having been planted to such commodities.
12. That, as was done in the case of the Soil-Building Practices Committee this year, representatives of important committees from the regions be brought in in advance of the National Conference to consider matters prior to the National Conference and have the recommendations brought together and supported by justifications in order that the committees' work might be expedited.
13. That the soil-building allowance rates be established by July 1 for the 1942 program.
14. The Committee recommends that a provision be worked out with respect to "new grower" cotton allotments under which new growers could not overplant their allotments for 1 year and receive the full benefit of such overplanting in subsequent years. The recommendation contemplates a provision somewhat as follows: The allotment to any farm on which cotton has been planted during only 1, 2, 3, or 4 of the 5 years immediately preceding the year for which such allotment is made shall be, respectively, 20, 40, 60, or 80 percent of the allotment which would be made to such farm if cotton had been planted thereon during each of the 5 years. It is further recommended that allotments to these farms be limited to a national reserve built up from farms going out of cotton production.

The Committee believes that this provision is necessary in connection with the 85-percent loan rate established by recent legislation and due to the fact that, under present procedure, farmers can overplant 1 year and receive all the benefits of old producers in subsequent years.

15. That no conservation or parity payments be made on special crop allotments determined for "new" farms.

/s/ A. R. BARNES, Chairman

COMMITTEE NO. 5

EDUCATIONAL ACTIVITIES

1. Preface

The present national emergency requires informational operations that will do two things: (1) Secure sure, swift-moving action so that any programs for which the AAA has been given responsibility will be carried on efficiently and without delay; (2) conduct these programs in a democratic manner, with the basic social and economic conditions of the period so well understood that when the present emergency has passed the ideals and understanding of the farm people will insure the continuance of democracy.

At this critical time in the life of this Nation, it is of the utmost importance that the material resources of agriculture and the human resources of our farm people be mobilized in the defense of the democratic way of life. Every person in rural United States should honestly endeavor to secure the facts and to make every possible contribution in the production of food and fiber required in the present emergency. The products of the farm occupy a key position in the total program of national defense. Accordingly, our material and human resources must be united in an "all-out" effort to defend our ideals and standards of living.

It is imperative that all citizens understand the significant role of agricultural production in the defense program. Accordingly, the Committee on Educational Activities in this report expresses certain basic policies which should prevail in a nation-wide program, and suggests specific activities as practical ways and means of putting such policies into effect. In formulating these policies and recommendations for action, the Committee recommends that in each State, in each county, and in each community, all of the agricultural agencies be united in disseminating accurate information regarding production requirements and the place of individual farmers, the farm organizations, and the agencies of State and national governments in improving and coordinating agriculture's part in national defense.

2. Coordination of All Agencies

It is recognized that in all matters relating to agriculture and national defense in its broad aspects there should be united and coordinated effort on the part of all agencies working with farm people, to inform them and the general public as to the responsibility and contribution of agriculture. It is therefore recommended by this Committee that the Agricultural Adjustment Administration accept its full responsibility and agree to lend its wholehearted cooperation to that end.

3. Scope of Educational Activities

Definite plans for educational work are as important as plans for administrative work.

Increased production of certain foodstuffs and fiber, changes in crop classification that conflict with the principles of conservation, and price fluctuations under the emergency, demand on the part of the farmer and consumer a knowledge of the principles back of the needs for defense and the AAA.

The farmer should be informed regarding means of preventing and reducing loss from fire started either accidentally or by sabotage.

Recognizing that fair prices for farm products are of little value to the farmer suffering crop failure, we urge that crop insurance be given special emphasis under the educational program.

Realizing that we have serious nutritional defects in our population that must be overcome if we are to be strong and healthy and ready for war or peace, AAA should cooperate with nutrition and health authorities and others in continuing an educational program. Good nutrition has a direct relationship to good soil and is therefore closely associated with the soil-building phases of the AAA program.

4. Emphasize Long-Time Land-Use Adjustment and Conservation

We recommend that in the application of all phases of the AAA program increased attention should be given to long-time land-use adjustments and conservation measures designed to give maximum strength to agriculture after the present emergency is over. This should be done in such manner as to permit agriculture to meet its full responsibility in the present emergency.

5. Post-War Adjustments

After the present war is over, the United States will still face a crisis in her way of life. For themselves as well as for the Nation, it is vital that farmers be prepared for the post-war adjustments that will be inevitable. It is urged, therefore, that the farmers of the Nation be kept informed as to the need for maintaining a strong, flexible organization with which agriculture can take united action to effect whatever post-war adjustments may be necessary.

6. Information Must Reach the Individual Farmer

Information is an inseparable part of administration and therefore must accompany the administration of the program at every level. The responsibility for administration of the AAA program is "at the grass roots" in the county committee, and therefore the responsibility for building an informational program for the county should lie with the county committee. It can best be done in the county because it can thus be adapted to local informational problems and make use of local initiative and resources.

The strength of the educational program depends on the understanding of the program by the individual farmer. This can be gained most effectively and efficiently by a well-informed and active community committee.

To gain this end, more responsibility should be placed upon the county and community committeemen in adapting the national and State educational programs to local conditions.

Educational material emanating from the national and State offices should be simplified and so composed as to be easily understood by the individual farmer or the local committee.

As fieldmen, supervisors, or checkers are the men most often in touch with community committeemen or individual farmers, they should be well-informed on the mechanics and objectives of the program.

7. The State Committee

The Committee recommends that in each State plans be worked out to select one person who shall be responsible for seeing that an informational program is carried out within the State under the direction of the State committeemen. His duties will be:

- a. To work with all agencies in matters pertaining to AAA information work.
- b. To assist each county in working out definite plans for adequately distributing its informational responsibility.
- c. To encourage each county to select from the present county and community personnel a qualified person to give special attention to informational material.
- d. To follow up the working out of such plans by an adequate service of such material and help to carry out the county's plans.

The Committee recognizes that there must be all necessary latitude for variation from county to county and State to State in a manner of working out informational programs.

In order to determine the effectiveness of the plan and to facilitate its operation, the Committee recommends that a simple but adequate system of progress reports be adopted.

8. Specific Methods

The Committee wishes to emphasize again the specific educational methods approved by the 1940 National Conference and suggests them again for your consideration, namely:

The greater use of motion pictures; use of film strips of local interest; exhibits for fairs; emphasis on discussion meetings; sponsor farmer-businessmen meetings; tours for committeemen beyond their local community; keep vocational agriculture teachers informed; maintain contacts with county school superintendents; make slides, movies, and

film strips available to farm organizations; use of radio broadcasts; local stories to newspapers; and the occasional use of short, clear informational material.

9. For the Establishment of Educational Committees in the Territories

It is recommended that, in order to carry on educational activities in all the Territories of the United States, there be set up Territorial committees, county committees, and community committees in the Territories where they do not now exist.

/s/ L. B. TAYLOR, Chairman

COMMITTEE NO. 6

MARKETING QUOTAS

The Committee on Marketing Quotas has prepared its report having in mind that the sound and successful operation of the farm program is most likely to be attained if price-supporting programs in the form of loans, surplus removal and purchases, as well as the agricultural conservation and parity payment programs, are supported by definite action on the part of farmers to regulate the supply and marketings of their crop in line with demand. The Committee also has kept in mind the greater need for the use of marketing quotas which may arise in the event of changes made in the program in the course of its development. The report of the Committee is divided into three main parts.

1. Quotas on Commodities Other Than Those Provided for in Existing Legislation

The Committee recommends:

- (a) That plans be developed under which marketing quotas will be available for use by producers of any agricultural commodity, so that such producers can vote upon quotas in a referendum in the event that conditions arise which would make the use of quotas desirable, and that the Department recommend the enactment of legislation embodying such plans.
- (b) That continued effort be made to develop plans under which marketing quotas can be used for particular commodities or groups of commodities and that potato producers be given every encouragement and aid in their effort to develop a plan and obtain legislation for the use of marketing quotas for potatoes.
- (c) That permanent legislation be requested providing for suitable price-supporting programs to be used in conjunction with marketing quotas which will make possible maintenance of market prices to farmers at not less than 85 percent of the parity price, adjusted downward if necessary, for any commodity so as to be in line with parity prices for other commodities.

2. Regulations and Procedures With Respect to Commodities Now Under Quotas

The Committee recognizes that in the development of marketing quota plans for individual commodities there necessarily will be differences in the administrative procedure. However, the Committee feels that many differences now exist merely because there has not been time in which to coordinate the programs for the different commodities and to eliminate unnecessary differences. Therefore, the Committee recommends to the Agricultural Adjustment Administration that a committee be set up to study methods of simplifying, eliminating, and consolidating marketing quota regulations, provisions, and forms. This study should include, as far as necessary, the differences in provisions of existing legislation with a view to obtaining uniformity in legislation. The committee also should work out a method to correlate as far as possible the forms used in connection with the various AAA programs.

In addition to this recommendation, the following specific recommendations are made:

- (a) The date of referendums for all crops should be fixed well in advance of the planting date of the crop to which the quota applies.
- (b) The referendum for cotton marketing quotas should be for 3 years as is the case for tobacco and peanuts.
- (c) The chairman of the county committee should have authority to designate someone to sign marketing cards for him as issuing agent.
- (d) Penalties on excess cotton should be changed to a flat rate of 10 cents per pound in lieu of the present penalty of 50 percent of the base loan rate.
- (e) The farm marketing quota for cotton should be the actual production on the planted acres not in excess of the acreage allotment.
- (f) The term "market" should include cotton upon which a CCC loan is obtained.
- (g) Cotton loan provisions should be amended to permit collection and retention of penalties by deductions from the amount of the loan.
- (h) Wheat farmers have voted more than 80 percent favoring wheat marketing quotas on the present crop. This vote was taken after the crop was made and when farmers had no chance to adjust the crop on which the present quotas would apply. The National Conference has gone on record favoring referendums prior to time of planting the crop to which the quota is applicable. The wheat penalty rate has been raised, and also the loan rate. The supply of wheat is so large that wheat quotas will be needed next year and a referendum costing a large sum, which would come out of farmers' payments, will be necessary within 6 or 8 weeks if the referendum is to be held ahead of the planting of the next crop. The Conference also has gone on record favoring 3-year quotas for cotton, while 3-year quotas for tobacco and peanuts already are in effect.

Therefore, the Department should arrange to have a proclamation made, prior to July 15, 1941, of the quota applicable to the wheat crop planted for harvest in 1942; to have a proclamation made prior to April 1, 1942, of the quota applicable to the wheat crop planted for harvest in 1943; and to have wheat farmers vote upon both quotas in the same referendum prior to May 1, 1942.

3. Administration of Marketing Quotas by County Committees

The Committee is of the view that administration and enforcement of marketing quota and other farm programs should be centered as far as practicable in the county and community committees. The Marketing Quota Committee recommends:

- (a) That local committees be given support in their enforcement activities as needed through officers working from State and regional offices and upon particular commodities;
- (b) That enforcement activities of the local committees be further strengthened by providing investigators, when and if requested by county and State offices, who would have special authority to investigate those cases which cannot otherwise be handled satisfactorily; and
- (c) That, in order to place responsibility for enforcement work, the duties and responsibilities of the county and community committees should be set out as fully and specifically as possible and the committees should be given the clearest possible explanation of their responsibilities and duties.

/s/ G. T. SCOTT, Chairman.

COMMITTEE NO. 7

GENERAL PROGRAM PROVISIONS

1. Definition of Farm

It was recommended that the present definition be continued.

2. Definition of Person

The Committee considered whether tax-supported institutional town, city, county, and State farms should be excluded from participation in the program. The Committee recommended that no change be made and that these institutional farms be permitted to participate in the 1942 program as in past programs.

3. Cropland

The Committee wishes to recommend that the present definition of cropland be used for the 1942 program.

4. Division of Payment

(a) The Committee reviewed the provisions relating to the division of payment in the current program and recommended that they be used in the 1942 program with the following exception:

That the word "producer" be substituted for the words "tenant or sharecropper" in the second proviso of Section 4 (a), "Division of payment and deductions." This change affects the division of payment in cases where less than 80 percent of the cotton allotment for the farm is planted to cotton by providing that all producers, including landlords, be given adequate consideration in the division of the cotton payment in these cases. The provisions now in use provide for protection to tenants and sharecroppers and the action of this Committee would provide that the same protection be given to landlords. The Committee also recommends that the 1941 provision be amended accordingly.

(b) The Committee considered whether the provisions relating to the division of the soil-building payment should spell out what items constitute contribution to the soil-building practices. It was the decision of the Committee that the 1942 provisions should be the same as those used in 1941 and that the determination of what constitutes contribution to soil-building practices be left to the county committee.

(c) The present provisions relating to the proration of net deductions were discussed and the Committee recommended that the 1941 provisions were adequate and satisfactory and should be continued in 1942.

5. Aggregate Compliance

The Committee considered the provisions relating to the determination of aggregate compliance as it relates to the parity payment program. The Committee recommends that the proposed provision for deduction for excess acreage and for applying deductions for one commodity against payment for another and for applying deductions for one farm against payment for another should be substituted for the aggregate provisions under the parity program.

6. Practices Which Tend To Defeat the Purposes of the Program

The Committee recommends that practice No. 12, Section 10 (a) of ACP-1941 be amended for both 1941 and 1942 to include the misuse of marketing cards for all commodities for which marketing quotas are in effect and that the phrase "fails to complete and correct such records" be eliminated.

7. \$10,000 Limitation of ACP Payments

The present provisions relating to the \$10,000 limitation of payment should be continued.

8. Assignments

The Committee reviewed the present provisions pertaining to assignments and believes that they are adequate and satisfactory and recommends that no changes be made.

The Committee discussed the advisability of limiting assignments to a fixed percentage of the net payment determined for the assignor, and it is the consensus that the present provisions are satisfactory and the full amount of the payment which a producer may earn may be assigned.

9. Increase in Small Payments

The Committee recommends that increase in small payments be based upon the total payment due a person in a county rather than on a payment for each individual farm.

10. Limitation of Parity Payment

The Committee discussed limiting the parity payment to a person in a manner similar to the \$10,000 limitation under the ACP, and it was the consensus that no limitation be imposed in connection with the parity payments.

11. Closing Dates for Applications

After considerable discussion relative to the provisions applicable to closing dates for submitting original and adjustment applications under the 1942 program and making changes relative to the closing dates now established under the 1941 program, the Committee concluded that the closing dates should remain as provided and are now in effect.

12. Automatic Wheat Crop Insurance

The Committee considered the possibility of recommendations that wheat growers participating in the ACP automatically have their wheat crop insured. The Committee recommended that the crop insurance provisions should not be changed to include automatic wheat crop insurance.

However, it was the feeling of the Committee that the crop insurance program should be extended to include tobacco, tomatoes, apples, and other crops as rapidly as research proves practicable and actuarial data are satisfactorily compiled.

13. Combination of Range and Farm Bulletins

It was the consensus of opinion of this Committee that each region determine the feasibility of combining or separating ACP and range State handbooks for the States within its own area.

The Committee recommends that other agencies within the Department of Agriculture be encouraged to request their clients to participate in and comply with the provisions of the programs being administered by the AAA.

/s/ CHAS. A. COLLINS, Chairman.

COMMITTEE NO. 8

GREAT PLAINS

General Statement

County and State Planning Committees and County and State AAA Committees are in general agreement that desirable land use in the Great Plains involves a considerable decrease in wheat seedings.

As long as wheat payments are made on an acreage allotment basis and such allotments are adjusted in accordance to seedings, farmers in the Great Plains area will continue to plant wheat on some land that is unsuited to wheat production.

The AAA program in the Great Plains area should be designed to encourage, facilitate, and promote land-use adjustments necessary to the establishment of a stabilized agriculture in the Great Plains.

The Special Great Plains Program now in operation in 40 counties, and which it is expected will be extended to many more Great Plains counties, requires that ACP payments be earned by carrying out practices designed to conserve moisture, prevent wind erosion, and to promote a grassland type of agriculture.

Under the Special Great Plains Program the county and farm rates reflect the amount of money set up for such county from its wheat acreage allotment, general allotment, restoration land acreage, cropland minus total allotment, and grassland. Since wheat acreage usually carries a higher rate per acre than general acreage under ACP and because of wheat parity payments, there is still an incentive to hold wheat acreage at as high a level as possible.

Recommendations

To make the Special Great Plains Program fully effective, your Great Plains Committee recommends:

1. That in any county where such Special Program is in operation -
 - (a) The farm or county wheat acreage allotments shall not be affected by failure to seed wheat in future years, provided, however, that even though the allotments would not be affected by the failure to seed wheat, the State and county committees may adjust the county and farm allotments as they have in the past.

(b) Parity payments be qualified on an individual farm basis by the carrying out of soil-building practices the same as ACP payments now are.

2. That the Special Agricultural Conservation Program for the Southern Great Plains area now in operation in 40 counties should be further developed and refined, and should be applied to additional counties in the Great Plains as rapidly as possible, with a separate modified docket, if necessary, to meet the conditions of the Northern Great Plains. Such extension to progress as a result of educational efforts followed by a favorable referendum, provided that the State committee may designate borderline counties where the referendum may have failed if conditions in such counties are very similar to a contiguous area where the referendum was favorable.

It is further recommended by your Committee for the Great Plains:

3. That soil-building practice payments under the Special Program should continue to be varied according to the productivity of the individual farms.

4. That the miscellaneous deductions now included in the Special Program should remain at the same rate as in 1941.

5. That a restoration land program procedure should be worked out by both the Northern and Southern Great Plains areas which will return restoration land to a grassland classification as rapidly as possible.

6. That unless the 1942 National Agricultural Conservation Program developed from the recommendations of this National Conference permits the accomplishment of the objectives, principles, and practices that are possible under the Special Great Plains Program as proposed for 1942, the Great Plains area should be permitted to go forward with its Special Program.

/s/ L. H. NORTON, Chairman

COMMITTEE NO. 9

COUNTY ADMINISTRATION

The Committee on the Organization and Administration of County Agricultural Conservation Associations reviewed the suggestions submitted by members of the Committees, which represented all the regions, and the questions presented in the conference outline. In considering the suggestions and questions, an effort was made to recommend only those changes that would result in more effective administration and a reduction in operating costs.

The following recommendations were approved by this Committee and are submitted to the National Conference for consideration:

Administration

1. Election Procedure

- (a) That the Soil Conservation and Domestic Allotment Act and the Articles of Association be amended to provide for the election of the regular and alternate members of the county committee by the regular members of the newly elected community committees.
- (b) That the regional directors set the time for holding county election meetings and the dates on which newly elected committeemen assume office.
- (c) That the Articles of Association be amended so that the eligibility to vote shall be based upon actual participation in any of the programs administered by the County Agricultural Conservation Committee and not upon a statement of intention to participate.
- (d) That the regional director shall authorize such methods for holding elections as will assure maximum participation in voting.

2. Office Management and Operation

- (a) That the county committee, in assuming full responsibility for the management and operation of the association in accordance with the present provisions of the Articles of Association, shall, subject to the approval of the State committee, select the chief clerk, who shall be directly responsible to the county committee for the performance of all clerical work and shall make recommendations to the county committee concerning the employment and dismissal of office workers.
- (b) That, in the interest of good administration, the performance of clerical work by county committeemen be prohibited.
- (c) That payment of salaries for overtime work be strictly prohibited.

(d) That the State and county committees cooperate in securing adequate office space and equipment for county offices, as otherwise no high state of operating efficiency can be attained. This is a vital problem which has probably been too long neglected.

3. Methods of Comparing Relative Efficiency and Economy of County Associations

That the proposed system of uniformly classifying and reporting expenses by types of work be adopted in lieu of any present system which is being used, and that the new system form a basis for analysis, by counties, fieldman districts, and States, of costs and work performed.

4. Administrative and Budgetary Controls

That the county committee continue to assure themselves that the personnel and facilities of the association are used only for association work.

5. Educational and Informational Activities

That, as a matter of general policy, associations shall not be permitted to incur expenses for publishing notices or information or for printing handbills, cards, etc. Where it is necessary to incur such expenses, prior approval must be obtained from the State committee.

Fiscal

1. Procedure for Deducting Association Expenses

(a) That the present method of deducting association expenses be continued.

(b) That the method of allocating nondeductible funds, now in effect, be continued, with due and proper consideration being given to the volume of payments and the number of work sheets in each region as major determining factors.

(c) That the State committee, with the approval of the regional director, be given more latitude and permitted to exercise its independent judgment in the reallocation of these nondeductible funds to the counties without the application of a set formula which, in some cases, might work a hardship on a particular county.

(d) That the Office of the Administrator make a further study of whether association deduction factors should be used in connection with the parity payment program or whether funds for parity expenses should continue to be deducted from the total parity appropriation prior to determining the parity payment rates.

(e) That the period for which association expenses are deducted continue to run with the calendar year as is now the case.

2. Audit of Association Fiscal Records

(a) That the State committee should be responsible for having each association's records thoroughly audited at least once a year by competent and responsible men and shall furnish the regional director with copies of the audit reports.

(b) That the regional director should be responsible for making more comprehensive and more frequent unannounced special audits in order to assure a uniformly high quality of work by the State auditors.

/s/ S. E. STATHAM, Chairman.

COMMITTEE NO. 10

COMMODITY LOANS

This Committee has given careful consideration to the major problems affecting commodity loans. After considerable discussion of the problems, we herewith submit the following recommendations, following the outline as printed for the committee on commodity loans:

1. What is the Ever-Normal Granary: How large should it be? Where should commodities be stored? How should storage facilities be financed and owned?

We consider the Ever-Normal Granary as including the total stocks of the basic commodities, whether or not these are all owned or controlled by the Government. It is not possible to make any exact statement of how large an Ever-Normal Granary should be under all conditions. The stocks of the major commodities which have been built up in recent years and have often been considered as burdensome supplies may now prove to be a national asset in our defense effort. If there had not been an Ever-Normal Granary Program in operation during the last few years, we would probably now be faced with a repetition of the ruinous practices which farmers were forced to adopt during and after the World War. It is the opinion of this Committee, arrived at after studying the fluctuations in production in each of the major commodities, that the Ever-Normal Granary stocks would probably have to be about 700 to 800 million bushels of corn, 400 to 500 million bushels of wheat, and 5 to 6 million bales of cotton, to give adequate protection against the shortages which may reoccur. While during normal times substantially smaller quantities may be needed, it is felt that, during the present emergency at least, we should lean toward figures above minimum requirements so that no shortages in the basic commodities can result from any natural calamity such as drought, flood, or insect damage.

The fundamental principles under which the Ever-Normal Granary Storage Program should apply necessarily vary with the commodity to be stored. Storage facilities should be located in such a way as to facilitate the free movement of the commodity into available storage and consumption channels. For grains this should mean sufficient supplies in storage at processing and heavy consumption centers, as well as adequate storage on farms and in country elevators in those areas where grains are actually produced. Storage at the farm is desirable where the hazards to successful storage are not too great, because the grain is in location to be repossessed by farmers and actually used for seed or feed on the farm. Actual experience indicates that commodities stored on the farm or in the interior do command

a premium. This group wishes to commend the policy established for 1941 by the Department of Agriculture in assisting producers to provide their own storage facilities for grain. We believe that this will make it easier and cheaper for farmers to repossess grain under loans, and retain control until final distribution. We believe that continued efforts should be made to encourage more farm storage wherever feasible.

It is the feeling of the Committee that the Department of Agriculture should give consideration to liberalizing the bonding requirements for elevators and mills which have small storage facilities, so as to make it possible to utilize the space in these establishments for grain storage at a time like the present when all available facilities are needed. This is especially important due to the possibility of transportation delays which may not permit free movement of grain without delay into consumption areas.

For cotton, we believe the commercial facilities should be supplemented by a program of farm storage under which farmers would store their own cotton on the farm in much the same manner as corn and wheat are stored. Cotton is less perishable than the grains which are handled in this manner, and from a physical standpoint can be more economically stored on the farm than any other agricultural commodity, the only real hazard being fire damage. We believe that the objection of high insurance cost for farm storage, which has often been raised, could be solved by requiring the Commodity Credit Corporation to carry blanket insurance on farm-stored loan cotton. As an alternative, it is believed that the widespread use of mutual insurance in such a program would also result in a substantial reduction in the cost of insurance protection.

The Committee recommends that work be started immediately to formulate a program for farm storage for cotton. Storage on the farm would be an important factor in enabling producers to obtain greater value for their equities when cotton is to be withdrawn from the loan and sold. If the cotton was in physical possession of farmers, it is felt that they would be less likely to sell it without full knowledge of its value. Under present conditions farmers too often sell their equities to the person who has the cotton in storage. With farm storage they would be in a better position to receive competitive bids on their cotton and thus get the benefit of a broader market.

2. How should the cost of storage be borne? In the first year?
In subsequent years?

Under the present policy of nonrecourse loans, it should be recognized that the party at interest should pay the carrying charges. This means that where farmers are able to withdraw profitably their commodities from the loan, they should be responsible for the carrying

charges, but on loans taken over by the Commodity Credit Corporation the Corporation will bear all storage costs. It is suggested that some consideration be given to an allowance for farm storage on corn as in the case of other commodities.

3. What policy should be followed with respect to the utilization of Government-financed stocks?

We believe that as a broad policy we must look forward to an expanded trade in cotton, wheat, and other crops which have long been grown in excess of domestic needs. The Government should follow a policy of doing everything possible to regain the markets which have been lost in recent years. This may be done either by the use of a subsidy to make American products competitive in world markets, or by trade agreements or barter arrangements with other countries that can use our products. While the war lasts, we believe that the large stocks of commodities owned by the Government should be used in any way possible to supply the foreign markets which are still available to us, even though this involves sales in foreign countries at prices substantially less than these commodities cost the Commodity Credit Corporation.

It is also felt that where governmental and relief agencies are required to purchase commodities for relief, military, or other purposes, they should first be required to go to the stocks already owned by the Commodity Credit Corporation before entering regular market channels to purchase these commodities. In cases where processed commodities are needed, this may involve the trading of raw commodities owned by the Commodity Credit Corporation for the processed commodities which are needed.

At least while our own cotton markets are so drastically reduced, we believe the present import quotas on foreign cottons should be continued in effect.

4. What principles should govern the determination of location differentials?

In general, we believe that location differentials should be applied to loan values so that relative values between areas will be disturbed as little as possible, and that the commodities will still be able to flow freely from producing areas to the points where they will be used.

In the case of cotton, the factors normally determining values in different areas have been materially changed this year due to limited export outlets now available. The reduction in export demand might indicate that all cotton should be valued on a basis of shipping to the domestic consuming centers, but since all cotton which is likely to be produced this year cannot be used in this country, and since we feel that this condition will adjust itself after the war, we do

not feel that such an arbitrary change in the historic method of location values should be instituted in 1941. We therefore favor a program which partially reflects the changed conditions but which will not unduly penalize the areas from which cotton normally moves to export markets.

In the case of corn, the question of location differentials was thoroughly discussed, and no agreement was reached by this Committee. It was recommended, however, that further study be made and presented to producer representatives of the commercial corn areas before any change is made from the present flat rate system.

* * *

In addition to the points covered above, this Committee has considered the actual operation of the cotton loan program in the field. In this connection, the Committee recommends that the Commodity Credit Corporation give careful consideration to those factors which will expedite the service to producers not only in obtaining loans but also in the redemption and withdrawal of cotton from the loan by these producers. We believe that sufficient informational and educational facilities should be available through existing agencies which will permit cotton producers to obtain the greatest benefits from the whole loan program. We also recommend that a study be made and full consideration be given to the possibility of making cotton loan procedures more uniform by handling cotton loans through or under the supervision of the AAA county offices.

We have one more recommendation to make. Due to the fact that there has been an increase in production of certain varieties of wheat that are undesirable from a milling standpoint, it is recommended that a careful study be made to determine which varieties in the various areas should be ineligible for loan or subject to material discounts when loans are announced. Such loan value, if any, should fully reflect market discounts which might tend to put such varieties in the class with other wheats of feeding value.

/s/ FRED S. WALLACE, Chairman.

